This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SANTO DOMINGO 005153

SIPDIS

DEPT FOR EB/CIP AMB GROSS, WHA/CAR, WHA/EPSC;
USDOC FOR 4322/ITA/MAC/WH/CARIBBEAN BASIN DIVISION
USDOC FOR 3134/ITA/USFCS/RD/WH; DHS FOR CIS-CARLOS ITURREGUI

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TAGS: ECPS BEXP EFIN DR
SUBJECT: DOMINICAN TAX REFORM AND TELECOMS

REF: SANTO DOMINGO 0596

¶1. Embassy Santo Domingo thanks Department for information about meeting on September 7 with Verizon concerning the tax package currently before the Dominican congress, as well as the September 14 message detailing efforts to date by telecoms companies in Santo Domingo.
¶2. The Ambassador received Verizon president Jorge Ivan Ramirez at short notice on August 24 on this subject. Ramirez outlined concerns of all telecoms firms concerning the proposal to enact an excise tax of 10 percent on telecoms services; he described the industry counterproposal of an excise tax of 6 percent and a lowering of the "telecoms development tax" from 2 percent to 1 percent. Ramirez stressed the firms' view that the demand for their services is elastic, and the 10 percent tax would not be likely to collect any more revenue than the lower tax proposed by the companies. A lower tax would have fewer adverse effects on demand, system development, and company earnings. He left a one-page paper outlining these concerns.

¶3. The next day, during his courtesy call on newly appointed Finance Minister Vicente Bengoa, the Ambassador outlined these concerns to the Minister, particularly noting the projected revenue scenarios. The Minister heard him out but made no comment on the administration's approach to the bill.

¶4. Submitting a tax proposal to COngress was a July requirement of the currently inactive IMF agreement. The proposal was jointly elaborated by PLD and PRD last June and delivered to the House of Representatives on July 11. The House was in continuous session until August 15 on the subject, conducting public hearings and gathering comments; the contents of the package were altered substantially during this process, both by the administration drafters and by the House. We understand that the telecoms firms argued for the 6 percent telecoms tax alternative and were expecting that the House would accept their approach.

¶5. The House reconvened after the August 16 inauguration, and after further hearings the House approved its modified version on September 2. The House retained the 10 percent tax. The bill has been in the Senate since that date; it was voted out of committee on September 14, without change, and approved by the full Senate that day in the first of two required votes. The Senate is scheduled to meet next of September 16 to decide whether to finish consideration of the bill.

¶6. The USG is working with both the executive and the legislative branches in the Dominican Republic, stressing that the version now before the Senate should be modified and returned to the House for further consideration. The Charge and embassy officers have conveyed this view to the president of the Senate, to the head of the PRD party, which controls the Senate, and to the president of the Senate Trade Committee. Further contacts are scheduled. If the Senate does modify and return the current bill, the House may accept Senate modications, kill the bill, or originate an alternative version. If on the other hand the Senate approves the House draft of bill, the legislation is submitted to the President for his consideration during a period of 8 days. The President may object to all or part of it and return it to congress; he may aprove; or he may make no comment, in which case the bill becomes law.
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